Date Filed: October 09, 2026

Witness: Ann Bulkley
Request from: ALLCO

Question:

(Discounted cash flow inputs.) For each discounted cash flow model result presented by the ROE Witness: (a) state, for each Proxy Group company and for Eversource Energy, the dividend yield used, the price and dividend data and averaging period underlying it, and the current dividend yield as of the date of the Company's response; (b) state the growth rate used for each company and the source; (c) state whether the model is a constant-growth or multi-stage model and, for any multi-stage model, each stage's growth rate, duration, and source; (d) compute the constant-growth discounted cash flow cost of equity for each Proxy Group company and for Eversource Energy using the current dividend yield in (a) and a long-term growth rate equal to the lesser of the company-specific growth rate in (b) and the long-term nominal GDP growth rate identified in response to Q-ALLCO-138(c), and produce the calculation; and (e) state whether any Proxy Group company's growth rate in (b) exceeds the long-term nominal GDP growth rate and, if so, explain how a regulated utility's earnings can grow faster than the economy in perpetuity.

Response:

(a) Please refer to Exhibit CLP-ROE-4 for the DCF analyses presented in Ms. Bulkley's testimony including the source for each assumption relied upon. Ms. Bulkley did not include Eversource in the analyses. Please refer to the Company's response to ALLCO-138[i].

(b) Please refer to the response to subpart (a).

(c) Please refer to the response to subpart (a).

(d) The requested analysis was not prepared in the preparation of Ms. Bulkley's direct testimony. Please refer to the Company's response to ALLCO-138, subpart (c) regarding the GDP growth rate. Further, it is unreasonable to rely on a constant growth DCF model where growth is capped at long-term nominal GDP growth because the utility industry is currently in a robust capital investment cycle that is expected to for some time and utilities have grown at rates greater than nominal GDP for significant periods of time.

Assuming utilities grow at rate equivalent to GDP or below in a constant growth DCF model is not consistent with the expectation of investors and would understate the cost of equity. This is because the current electric utility stock prices are only sustainable if the

current long-term earnings per share ("EPS") growth rates are assumed to continue over the longer-term. Therefore, by assuming a growth rate equal to GDP or lower starting in year 1 and continuing into perpetuity, the assumed growth rate would be inconsistent with the capital expenditure plans for the industry. Looking at it in a different way, the only way to maintain the current stock price valuations with a low long-term growth rate such as GDP in the constant growth DCF model is to assume an extremely low cost of equity; however, that is inconsistent with the market's expectation of electric utility stock prices. Therefore, the result of the requested analysis would understate the cost of equity.

In the text *Modern Regulatory Finance*, Dr. Morin notes the following (See ALLCO-140, Attachment 2):

> *One central assumption in Multi-Stage DCF models, and a potential Achilles' heel, in my view, is that utility growth rates will eventually match the growth of the macroeconomy usually measured by the growth of the Gross Domestic Product (GDP). I am not aware of any financial literature supporting the notion that utility earnings per share are expected to grow at the average growth of the economy, or GDP.*
>
> *... based upon the wealth of empirical and academic literature that supports the superiority of analyst's forecasts as a measure of investor expectations for the use of such forecasts in the DCF model, current earnings growth forecasts are the appropriate growth rates to use in a DCF analysis. Besides, to the extent that economic trends influence growth, it is reasonable to assume that they are already captured in analysts' growth estimates for utilities.*
>
> *Multi-stage DCF applications appear somewhat disconnected from the assumptions of the method and the consensus expectations of investors. The investment community does not look to GDP growth over the next several decades when evaluating an investment in utility stocks, nor does it anticipate a series of discrete muti-stage decennial stages. I am not aware of any evidence that investors evaluate the future based on the assumptions and data sources required to apply the two-stage or three-stage DCF model.*

(e) While Dr. Morin discusses the multi-stage DCF model, the same holds true for a constant growth DCF model where GDP growth is used as the estimate of long-term growth.

(f) The requested analysis cannot be performed. Please refer to the Company's response to ALLCO-138, subpart (c) regarding the GDP growth rate.

Prior Referenced Response:

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[i] ALLCO-138 Question:
(Implied cost of equity from market value and growth.) (a) State the long-term earnings-per-share growth rate, dividend growth rate, and rate-base growth rate most recently communicated by Eversource Energy to investors (including in its most recent earnings guidance, investor presentation, and annual report), the date of each communication, and the period to which each applies. (b) State the long-term growth rate(s) used by the ROE Witness in each discounted cash flow model, the source of each (identifying each analyst, service, or calculation relied on), and, for each Proxy Group company, the growth rate assigned. (c) State the long-term nominal growth rate of United States gross domestic product assumed or implied in the ROE Witness's analysis, or, if none, the source the Company regards as authoritative for that figure, and state whether any growth rate used in (b) exceeds it and by how much. (d) Using the relationship M/B = (ROE − g) ÷ (COE − g), where M/B is the market-to-book ratio, ROE is the return on book equity, g is long-term growth, and COE is the cost of equity, compute the cost of equity implied for Eversource Energy at each year-end 2020 through 2025 using (i) Eversource Energy's reported earned return on average common equity and (ii) its communicated long-term growth rate, and produce the calculation; if the Company contends the relationship is inapplicable, state each reason.

ALLCO-138 Response:

a. Please refer to ALLCO-138 Attachment 1, (pages 4, 19, and 23) for the most recent long-term earnings-per-share growth rate of between 5% and 7% by the end of fiscal year 2030 communicated in the Q2 2026 earnings call presentation dated July 31, 2026. Please refer to ALLCO-138 Attachment 2, (pages 1, 39, and 48) for the most recent dividend growth rate of 5.2% for fiscal year 2025 as compared to 2024 as communicated in the 2026 proxy statement made available on March 27, 2026. Please refer to ALLCO-138 Attachment 3, (page 12) for the most recent rate base growth rate estimate of 8.3% Compound Annual Growth Rate by 2030 as compared to the 2024 rate base as communicated in the Year-End 2025 earnings call presentation dated February 13, 2026.

b. Please refer to Exhibit CLP-ROE-4.